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600 MONTGOMERY STREET
SAN FRANCISCO, CA 94111
(415) 627-2000

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July 21, 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

HAND DELIVER

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, Room 222
Washington D.C. 20554

Re: ET Docket No. 93-266, PP Docket No. 93-253 ✓
Ex Parte Presentation

Dear Mr. Caton:

In accordance with Section 1.1206(a)(1) of the Commission's rules, attached are two copies of an ex parte letter submitted today for inclusion in the above-referenced docket~~s~~.

Should you have any questions concerning this matter, please do not hesitate to contact the undersigned directly.

Sincerely,



Michael B. Gordon
Vice President
Montgomery Securities

Enclosures

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William F. Caton
Acting Secretary
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1919 M Street, Room 222
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Re: ET Docket No. 93-266, PP Docket No. 93-253
Ex Parte Presentation

Dear Mr. Caton:

Congratulations your recent announcement specifying the rules for designated entities in broadband PCS. As the nation's leading underwriter of equity offerings for emerging growth companies in 1993, we applaud your efforts to increase competition in wireless services and look forward to participating in the financing of the new contenders for a piece of the wireless services pie.

Beyond extending our congratulations, we are writing to express our concerns as we prepare to commit our share of the huge capital resources needed to make the PCS vision real for new competitors. As I'm sure you're well aware, designated entities will require substantial capital commitments prior to bidding on licenses and, if successful, building out their networks. Along these lines, we have already received numerous inquiries from firms planning to participate as designated entities in PCS. While certainly speculative, we nonetheless believe that many of these firms would present attractive investment opportunities within the financial community.

However, at present we have a fundamental issue pertaining to the FCC that at this point gives us pause in moving forward on capital commitments. Specifically, it is difficult for us to have confidence in the current designated entity policy given that the FCC has not granted the Pioneer's Preference licenses and appears from various press articles to be considering retroactively charging for these licenses. The example of the presumed Pioneer's Preference winners provides the best illustration of our concern due to the similarity of some of their circumstances to those of the designated entities (i.e. both groups are smaller companies with special characteristics--either technology or disadvantaged status--requiring FCC preferences to compete against larger, well capitalized companies).

We have followed the FCC's PCS initiative since its inception, and considered the broadband Pioneers' story complete at the time of the FCC's final ruling in December 1993. Although we have no affiliations with the Pioneers, the prospect of a retroactive change in this program raises deep concerns as we consider moving forward with the possible financing of designated entities. The issue is, essentially, how can we commit capital to new entrants if the Pioneer's Preference program ends up showing that the basic rules of the game may be retroactively altered after investment decisions have already been made?

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Based on the need for a reasonable level of certainty in the capital markets, we strongly recommend that you uphold the current Pioneer's Preference decisions and maintain consistent support of rule making for designated entities and other potential broadband PCS participants.

We would very much like to speak with you directly should you desire more input from the financial community. Please feel free to give me a call at (415) 627-2758.

In accordance with Section 1.1206(a)(1) of the Commission's rules, I am submitting to you today two copies of this letter for inclusion in the public record of the above-referenced dockets.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael B. Gordon".

Michael B. Gordon
Vice President
Montgomery Securities

cc (via hand delivery):

Chairman Reed Hundt
Commissioner James Quello
Commissioner Andrew Barrett
Commissioner Susan Ness
Commissioner Rachelle Chong
William Kennard, Esq.
Dr. Robert Pepper
Mr. Donald Gips